

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2019-64-WS

Application of CUC, Inc. for Approval of an Increase in Rates and Charges and Modifications to Certain Terms and Conditions for the Provisions of Water and Sewer Service Provided to its Customers at Callawassie Island and Spring Island in Beaufort County, South Carolina

DIRECT TESTIMONY
OF SUSAN B. MIKELL

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Susan B. Mikell, and my business address is 3779 Byrnes Boulevard,
3 Florence, South Carolina 29506.

4 **Q. WHAT IS YOUR POSITION WITH CUC, INC.?**

5 A. I am a shareholder, President, and Office Manager of CUC, Inc. ("CUC").

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7
8 A. I am testifying in support of the company's application for a rate increase. I will
9 explain the company's rate request and describe its operations.

10 **Q. PLEASE STATE YOUR EDUCATIONAL AND PROFESSIONAL**
11 **BACKGROUND.**

12
13 A. I graduated from the College of Charleston with a Bachelor of Science degree in
14 Sociology. Immediately after college, I worked for three years in Birmingham, Alabama
15 in real estate management. Upon returning to Florence, South Carolina in 1984, I began
16 working with my father, Billy F. Burnett, in the water and sewer utility business. Since
17 that is the year that CUC was founded, I have been with the company since its inception.

1 Most of my training has occurred on the job and with online operator training. In 2013, I
2 completed the Wastewater Treatment Operator's Training Class through Sumter
3 Technical College, so I could better understand the technical side of the business. I also
4 am adept at dBase, Microsoft Excel and Word, Intuit QuickBooks, and other computer
5 software that benefits our company. I consider my work for CUC to be a career choice
6 and not just a job.

7 **Q. WHAT ARE YOUR JOB RESPONSIBILITIES?**
8

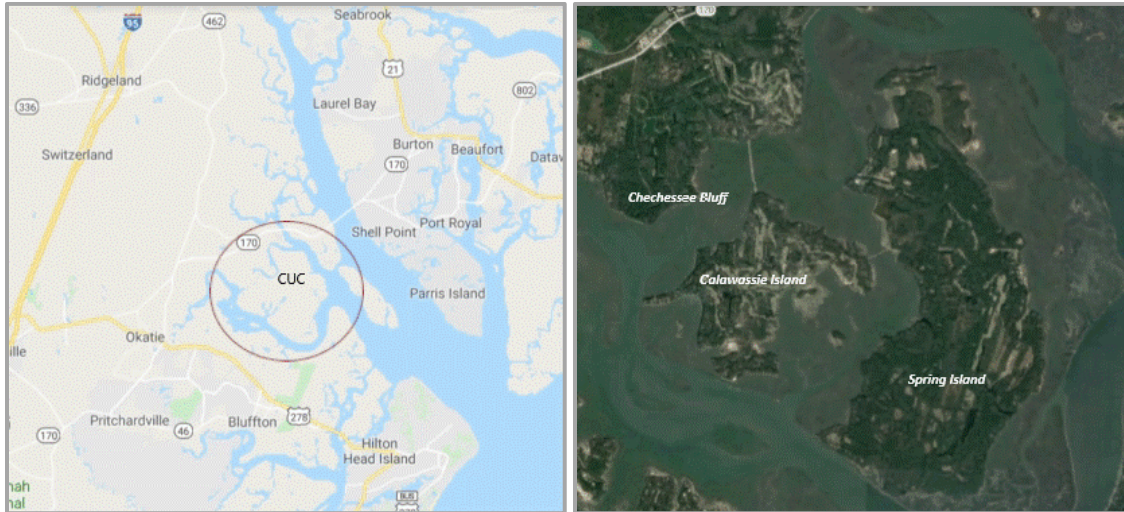
9 A. I am responsible for the following duties:

- 10 • Manage the company's computerized customer billing system, and the
11 computerized bookkeeping program.
- 12 • Oversee all accounting and bookkeeping tasks for the company.
- 13 • Manage insurance and its annual audits.
- 14 • Handle taxes and ensure that all returns are correctly filed.
- 15 • Payment of the company's bills.
- 16 • Handle payroll and related reporting and oversee the 401-K plan, and its annual
17 census reporting.
- 18 • Monitor all operating expenses for accuracy and to ensure that all money spent
19 adds value to the utility.
- 20 • Supervise all employees, making sure they have the proper equipment to
21 perform their jobs safely and efficiently and respond to their questions that
22 arise during their day-to-day activities.
- 23 • Handle customer inquiries and complaints promptly and efficiently.
- 24 • Make decisions regarding acquisitions, as well as company policies,
25 procedures, and staff.
- 26 • Complete PSC-required reports such as the Gross Receipts Report and the
27 company's Annual Reports.
- 28 • Generate data and reports necessary to complete rate applications as needed to

maintain financial stability; coordinate data inquiries and provide requested information associated with all rate applications.

Q. WHERE IS CUC's SERVICE TERRITORY?

CUC serves the Callawassie, Spring Island, and Chechessee Bluff communities in Beaufort County. These maps show the areas we serve:



Exhibits SBM-1 and SBM 2 - Service Territory

Q. WHERE ARE CUC'S OFFICES AND FACILITIES LOCATED?

The on-site office is located at 99 Utility Court on Callawassie Island. The business office is at 3779 Byrnes Boulevard, in Florence, SC. Both Callawassie Island and Spring Island have their own wastewater treatment plant, and the water distribution system is common to both islands. The wholesale water supply is provided by the Beaufort-Jasper Water and Sewer Authority through a master meter at the entrance of Callawassie Island. The company also provides sewer service to 25 residential homes, the gate house, and two commercial office buildings collectively known as Chechessee Bluff, adjacent to the entrance of Callawassie Island.

1 **Q. PLEASE DESCRIBE THE CALLAWASSIE ISLAND SUBDIVISION.**

2 Callawassie Island is a private gated coastal island resort community with approximately
3 880 acres and a 27-hole, Tom Fazio-designed golf course. It has a Clubhouse, a River Club, a
4 Fitness Center, parks and recreation areas, plus docks and fishing opportunities. It has a
5 Certified Community Wildlife Habitat, which is one of only four in South Carolina. We serve
6 over 500 residences with water and sewer, and we serve 18 commercial accounts there. There
7 are also over 360 irrigation accounts on the island. Callawassie's golf course is irrigated with
8 treated effluent from CUC's treatment ponds.



10 Exhibit SBM-3 - Callawassie Island Entrance



Exhibit SBM 4 - Callawassie Island Golf Course

Q. PLEASE DESCRIBE SPRING ISLAND.

Spring Island is a private gated coastal island resort community with approximately 3000 acres that offers its residents a natural island habitat, with 1200 acres preserved as a nature conservancy. The island has amenities such as art programs, croquet, equestrian facilities, fishing, golf, hunting, sporting clays, and a 13,000-square foot Fitness Center. The Old Tabby Links Golf Course was designed by Arnold Palmer and is landscaped in such a way that few, if any, homes are visible from the course. This golf course is also irrigated with treated effluent from CUC's treatment ponds. We serve nearly 300 residences, 23 commercial accounts, and over 80 irrigation accounts there.



Exhibit SBM 5 - Spring Island Equestrian Center



Exhibit SBM - 6 - Spring Island Golf Course

Q. WHY IS CUC REQUESTING A RATE INCREASE?

This request for rate relief for CUC is only our fourth request in the company's thirty-five year history. CUC's last rate increase was in 2014 and was based on operating revenues and expenses

1 for the year 2013. For our test year of 2018, our net income and operating margin were less than
2 half the amounts projected five years ago by the ORS in our 2014 Settlement Agreement (Order
3 No. 2014-1001, Exhibit 1). Expenses have steadily increased, and because the facilities are
4 getting some age on them, their repairs and maintenance are more time-consuming and
5 expensive. We must have an adequate operating margin in order to continue the successful
6 operation and high level of customer service we have always provided. We want to continue to
7 provide the outstanding service that our customers have come to expect from us over the years.

8 **Q. WHEN WAS CUC'S LAST RATE INCREASE?**

9 **A.** The Commission approved CUC's last rate increase in 2014 in Order No. 2014-1001,
10 dated December 3, 2014.

11 **Q. HOW MUCH OF A REVENUE INCREASE IS CUC REQUESTING?**

12 **A.** We are requesting an increase in operating revenues of \$238,004, which is an increase of
13 18.75% overall and about 3.5% per year between the 2013 test year on which our rates are
14 currently based and the 2018 test year used for this application.

15 **Q. WHAT ARE CUC'S CURRENT AND PROPOSED WATER SERVICE RATES?**

16 **A.** The chart below shows how CUC's rates would change.
17

18 *Continued on next page*
19

RESIDENTIAL	Meter	Current (Bi-monthly)	Proposed (Bi-monthly)	Increase (Bi-monthly)
Base Facilities Charge				
Residential Water & Irrigation	5/8" x 3/4"	\$45.54	\$54.48	\$8.94
Residential Water & Irrigation	1"	\$56.90	\$68.07	\$11.17
Residential Water & Irrigation	1 1/2"	\$64.20	\$76.81	\$12.61
Residential Water & Irrigation	2"	\$72.10	\$86.26	\$14.16
Residential Water & Irrigation	3"	<i>No rate currently in place</i>	\$109.55	N/A
Water & Irrigation Commodity Charge	x 1,000 gal.	\$5.54	\$6.63	\$1.09
COMMERCIAL				
Base Facilities Charge				
Commercial Water & Irrigation	5/8"x3/4"	\$53.12	\$63.55	\$10.43
Commercial Water & Irrigation	1"	\$64.50	\$77.16	\$12.66
Commercial Water & Irrigation	1 1/2"	\$72.10	\$86.25	\$14.15
Commercial Water & Irrigation	2"	\$79.68	\$95.32	\$15.64
Commercial Water & Irrigation	3"	<i>No rate currently in place</i>	\$118.20	N/A
Commercial Water & Irrigation Commodity Charge	x 1,000 gal.	\$5.54	\$6.63	\$1.09

Exhibit SBM-7 – Proposed Change to Water Rates

Q. HOW WOULD THE REQUEST RATES IMPACT THE AVERAGE RESIDENTIAL WATER SERVICE CUSTOMER?

A. CUC water service rates include a Basic Facilities Charge and a commodity charge. The Commodity Charge includes the cost of water purchased from the Beaufort-Jasper Water and Sewer Authority. In our last rate case, the Commission allowed CUC to “pass-through” increases in the cost of purchased water to our customers as they are imposed. On Callawassie

Island, a customer with a 5/8" meter would see an increase in the Basic Facilities Charge of \$4.47 per month. The average monthly usage of a Callawassie Island residential water customer in 2018 was about 3,202 gals. per month (some customers have separate irrigation meters). The proposed rate of \$6.63 per 1,000 gals. would result in a monthly increase of \$3.49. The total monthly increase for a customer using 3,202 gal. per month would be \$7.96. The existing and proposed rates are the same for Spring Island, but the average water consumption for these customers is 4,032 gal. per month, resulting in a total increase of \$8.86 per month, including base fees and usage.

Q. WHAT ARE CUC'S CURRENT AND PROPOSED SEWER SERVICE RATES?

RESIDENTIAL	Meter	Current (Bi-monthly)	Proposed (Bi-monthly)	Increase (Bi-monthly)
Base Facilities Charge	5/8"x3/4"	\$45.54	\$54.48	\$8.94
Base Facilities Charge	1"	\$56.90	\$68.07	\$11.17
Base Facilities Charge	1.5"	\$64.20	\$76.81	\$12.61
Base Facilities Charge	2"	\$72.10	\$86.26	\$14.16
Base Facilities Charge	3"	<i>No rate currently in place</i>	\$109.55	N/A
Sewer Commodity Charge	x 1,000 gal.	\$5.10	\$6.63	\$1.53
COMMERCIAL	Meter	Current	Proposed	
Base Commercial Sewer	5/8"x3/4"	\$53.12	\$63.55	\$10.43
Base Commercial Sewer	1"	\$64.50	\$77.16	\$12.66
Base Commercial Sewer	1.5"	\$72.10	\$86.25	\$14.15
Base Commercial Sewer	2"	\$79.68	\$95.32	\$15.64
Base Commercial Sewer	3"	<i>No rate currently in place</i>	\$118.20	N/A
Sewer Commodity Charge	x 1,000 gal.	\$5.10	\$6.63	\$1.53

Exhibit SBM-8 – Proposed Change to Wastewater Rates

1 Q. HOW WOULD THE REQUEST RATES IMPACT THE AVERAGE
2 RESIDENTIAL SEWER SERVICE CUSTOMER?

3 CUC's sewer service charge consists of a Basic Facilities Charge and a treatment charge
4 based on water usage. On Callawassie Island, a customer with a 5/8" meter would see an
5 increase in the Basic Facilities Charge of \$4.47 per month. The average monthly water usage of
6 a Callawassie Island residential sewer customer in 2018 was about 3,202 gals. per month. The
7 proposed rate of \$6.63 per 1,000 gals. would result in a monthly increase of \$4.90. The total
8 monthly increase for a Callawassie Island customer using 3,202 gal. per month would be \$9.37.
9 The existing and proposed rates are the same for Spring Island, but the average water
10 consumption for these customers is 4,032 gal. per month, resulting in a total increase of \$10.64
11 per month, including base fees and usage.

12 Q. IS CUC REQUESTING ANY CHANGES TO ITS CHARGES SUCH AS LATE
13 FEES, DELINQUENT NOTICE FEES, OR ANY ADDITIONAL CHARGES?

14 A. No.

15 Q. WHAT ARE THE BIGGEST DRIVERS OF CUC'S INCREASED EXPENSES
16 SINCE THE LAST RATE CASE?

17 We have added an additional operator and purchased new trucks for all four operators.
18 The costs of employee wages and benefits have increased overall. Fuel, postage, laboratory
19 testing fees, and maintenance supplies have also increased. We must replace aging equipment as
20 well.

1 **Q. PLEASE TELL THE COMMISSION ABOUT CUC'S CUSTOMER SERVICE.**

2 **A.** CUC provides responsive customer service. We have a 24-hour service number for our
3 customers to call. Many of our customers live in their homes seasonally, or part-time, so we
4 frequently have to respond to long-distance service calls. When we make a mistake, we correct
5 it promptly.

6 Most of our 94 service calls during the test year were from customers with high bills
7 asking us to confirm their readings. On 31 of the "high bill" calls, we found that we misread the
8 meter and corrected the customer's bills. The second highest number of calls, 29, involved
9 malfunctioning sewerage grinder pumps, which we service for a fee. Other calls were about
10 leaks, broken meter boxes, water pressure, or general service. There were four complaints of
11 discolored water, caused by turbulence in the lines. There was 1 sewer blockage which was
12 corrected promptly.

13 **Q. HAVE ANY OF CUC'S CUSTOMERS COMPLAINED ABOUT THE COMPANY**
14 **TO THE ORS SINCE THE LAST RATE CASE?**

15 **A.** We have had a few calls to the ORS regarding delinquent notice fees being charged. In
16 all instances, our staff had followed proper procedures and the customers had already been
17 granted a waiver of delinquent notices at an earlier time. I also know of one call from a customer
18 who wanted a new meter, because he was unable to read his old one. We replaced his meter with
19 a new one. To my knowledge, we have had no service complaints.

20 **Q. WHAT ARE THE ADJUSTMENTS CONTAINED IN THE APPLICATION?**

21 **A.** Our Application contains 13 adjustments (adjustment 4 has 12 sub-items).

22 Adjustments 1 & 2: To annualize metered water and sewer revenues.

1 Adjustment 3: To remove DHEC Safe Drinking Water Act Fees from revenue

2 Adjustment 4A: To annualize current payroll, remove one employee from expense,
3 and remove bonuses paid to all employees.

4 Adjustment 4B: To reflect increases in 401-K expenses and health insurance
5 premiums.

6 Adjustment 4C: To reflect increase in wholesale rate for purchased water.

7 Adjustment 4D: To reflect increase in postage rates and postage meter rental rate.

8 Adjustment 4E: Removes items from expense that should have been capitalized.

9 Adjustment 4F: To reflect increases in laboratory testing fees and to remove
10 Drinking Water testing fees.

11 Adjustment 4G: To remove all transportation expenses for officers and to add
12 mileage allowances.

13 Adjustment 4H: To reflect increased insurance expense on 4 new trucks and to remove
14 insurance expense for officer vehicle.

15 Adjustment 4I: To remove telephone expense for non-CUC employees.

16 Adjustment 4J: To adjust sludge expense with average of 2017 and 2018.

17 Adjustment 4K: To reflect increase in chemical expense.

18 Adjustment 4L: To remove non-utility expenses.

19 Adjustment 5: To adjust depreciation for new company trucks; remove officer vehicle
20 and amortize tap fees.

21 Adjustment 6: To reflect interest expense on new trucks and remove interest
22 expense for officer vehicle.

Adjustment 7: To amortize rate case expense over 3 years.

Adjustment 8: To reflect property taxes on new trucks and remove property tax for office vehicle.

Adjustment 9: To adjust income taxes to reflect accounting and pro forma adjustments.

Adjustment 10: To reflect additional metered water revenues based on proposed rates.

Adjustment 11: To reflect additional metered sewer revenues based on proposed rates.

Adjustment 12: To adjust gross receipts tax based on proposed rates.

Adjustment 13: To adjust income taxes based on proposed rates.

Q. Do you have anything else you would like to add?

Yes, I do. I would like to state for the record that we are proud of our employees. Our manager, Marshall Bishop, has been with us since the company's inception (35 years) and two of our other operators, Ricky Bozard and Todd Cooper, have worked with us for nearly 20 years. Our local office secretary, Mary Floyd, has been with us for 20 years also. Three years ago, we added a new operator, Derrick Brannan, and he has been a good addition to the team. Everyone works together to maintain the facilities and to provide the highest level of service with the fewest number of employees. There is value to the company in maintaining an excellent staff. To keep well-trained and responsible employees, we pay them fair living wages and provide them with health insurance and a retirement plan. Company trucks are provided to the operators.

While the work in the Florence office is more behind the scenes, it is imperative to the success of the company. All business functions and software maintenance are handled by the staff there, and we regularly communicate with the local staff.

1 **Q.** **Does this conclude your testimony?**

2 **A.** Yes, it does.

3